

Message Text

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CEA-01 CIEP-01 COME-00 EB-07 FEAE-00 FPC-01 INT-05

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TO SECSTATE WASHDC 6783

INFO AMEMBASSY BERLIN

USMISSION USBERLIN

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 03 BONN 19161

E.O. 11652: GDS

TAGS: PFOR, EFIN, EGEN, GW, GE

SUBJECT: FRG-GDR RELATIONS: SWING EXTENSION, ETC.

REF: BONN 18976, USBERLIN 2241, USBERLIN 2251

1. SUMMARY. THE EMBASSY HAS BEEN GETTING DIFFERENT READINGS FROM ITS CONTACTS IN THE BONN MINISTRIES AS TO THE SIGNIFICANCE OF THE PENSIONERS-SWING EXTENSION-GDR NEGOTIATIONS OFFER COMPLEX, AND THE PROSPECTS FOR THE FUTURE. THE POLITICAL SIDE, TAKING ITS CUE FROM CHANCELLOR SCHMIDT, IS DISTINCTLY UP BEAT. OUR ECONOMIC CONTACTS, HOWEVER, FEEL THAT THE FRG HAS GIVEN MUCH MORE THAN IT HAS GOTTEN, OR IS LIKELY TO
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GET. IT IS CLEAR THAT THE GOVERNMENT, DISCONCERTED

BY THE EAST GERMAN ANNOUNCEMENT OF THE SWING EXTENSION LAST WEEKEND, HAS PUT THE BEST POSSIBLE INTERPRETATION ON EVENTS FOR DOMESTIC POLITICAL PURPOSES. (WE ARE INCLINED TO TAKE A LESS ROSY VIEW). IT HAS HAD REASONABLE SUCCESS WITH THIS APPROACH SO FAR, BUT THE OPPOSITION WILL BE ALERT TO EXPLOIT ANY CHANCES TO MAKE CAPITAL OUT OF WHAT IS ALWAYS A SENSITIVE ISSUE IN GERMAN POLITICAL LIFE. END SUMMARY.

2. WE HAVE BEEN RECEIVING HIGHLY DIVERGENT VIEWS OF THE PRESENT STATE OF FRG-GDR RELATIONS FROM OUR CONTACTS IN THE VARIOUS BONN MINISTRIES. FROM POLITICAL SOURCES WE HAVE BEEN HEARING THE OPTIMISTIC LINE TAKEN BY CHANCELLOR SCHMIDT IN THE DECEMBER 11 BUNDESTAG DEBATE -- AND PREVIOUSLY BY BERLIN MAYOR SCHUETZ. THE GENERAL SENSE IS THAT, QUITE APART FROM THE PENSIONERS-SWING EXTENSION ASPECTS, THE GDR OFFER OF NEGOTIATIONS ON A WIDE RANGE OF ISSUES REPRESENTS A KIND OF BREAKTHROUGH. OUR POLITICAL CONTACTS ARE OPTIMISTIC ABOUT THE PROSPECTS FOR MOVING FORWARD AND REACHING AGREEMENTS WITH THE GDR. WE MADE THE POINT THAT THE EAST GERMANS HAD SPOKEN OF WILLINGNESS TO NEGOTIATE, WHICH WAS A LONG WAY FROM FINISHED NEGOTIATION. OUR CONTACTS REPLIED THAT SEVERAL OF THE ISSUES WERE ALREADY CLOSE TO SOLUTION. OTHER ITEMS WERE MORE DIFFICULT AND WOULD TAKE TIME, NOTABLY THE AUTOBAHN RENOVATION AND CONSTRUCTION SCHEMES. WHEN WE PRESSED AS TO WHY THEY THOUGHT THE CHANCES OF MOVING AHEAD WERE GOOD, GIVEN THE PAST RECORD OF NEGOTIATION WITH THE EAST, THEY SAID THEY BELIEVED THAT THE GDR LEADERSHIP, UNDER SOVIET PERSUASION, HAD DECIDED TO "ACCEPT" WEST BERLIN. THAT IS, THE APPROACH WOULD NOT BE ONE OF CONFRONTATION, BUT RATHER OF "LIVING WITH" WEST BERLIN, INCLUDING WORKING TOWARD VARIOUS FORMS OF ECONOMIC COOPERATION.

3. IT WOULD PROBABLY BE PRUDENT TO TAKE THESE OPTIMISTIC READINGS WITH SOME SALT. THE FACT IS THAT THE SCHMIDT GOVERNMENT WAS PUT IN AN EXTREMELY AWKWARD SITUATION BY THE EAST GERMAN ANNOUNCEMENT
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OF THE SWING EXTENSION LAST WEEKEND AND IS CONCERNED TO MAKE IT SEEM THAT IT HAD RECEIVED PAYMENT IN KIND FROM THE GDR. THE MERE WITHDRAWAL OF THE CURRENCY EXCHANGE REQUIREMENT FOR PENSIONERS IS HARD TO REPRESENT AS A TRIUMPH FOR BONN. WEST GERMAN PUBLIC OPINION REGARDED THE GDR INSTITUTION OF THE REQUIREMENT IN THE FIRST PLACE AS A VIOLATION OF PREVIOUS AGREEMENTS. VIEWED IN THIS LIGHT, IT WAS

ESSENTIAL FROM SCHMIDT'S POINT OF VIEW TO STRESS THE
IMPORTANCE OF THE GDR NEGOTIATIONS OFFER.

4. OUR CONTACTS IN THE ECONOMIC MINISTRY ARE
DISPARAGING IN THEIR ASSESSMENT OF THE ECONOMIC
BENEFITS GAINED BY THE FRG IN RETURN FOR THE SWING
EXTENSION. IN THEIR VIEW THE GDR DID NOT CONCEDE
ANYTHING SUBSTANTIAL IN THE ECONOMIC SPHERE, AND THEY
ARGUE THAT THE "CONCESSIONS", THAT IS, GDR EXPRESSIONS
OF READINESS TO NEGOTIATE, ARE OF ONLY MARGINAL VALUE
TO THE FRG, OR ARE OF AT LEAST EQUAL VALUE TO THE GDR,
OR ARE GOING TO BE VERY COSTLY TO THE FRG. THE

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INFO AMEMBASSY BERLIN

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C O N F I D E N T I A L SECTION 02 OF 03 BONN 19161

ECONOMIC MINISTRY REACTION TO SPECIFIC ITEMS IS
AS FOLLOWS:

A. TRANSPORTATION. THE FRG ALREADY PAYS DM 234
MILLION ANNUALLY TO THE GDR FOR HIGHWAY MAINTENANCE
SO THERE IS NOT MUCH OF A CONCESSION HERE. REDUCTION
IN TRAIN TRANSIT TIMES, A NEW AUTOBAHN TO HAMBURG,
AND OPENING THE Teltow Canal might be of some
marginal economic significance to West Berlin. Their
political and psychological significance might be
even greater. In any case one will have to wait and
see how the negotiations develop.
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B. LONG TERM ECONOMIC COOPERATION. THE ECONOMICS
MINISTRY HAS ALWAYS MAINTAINED THAT LONG TERM
ECONOMIC COOPERATION WAS AS MUCH IN THE ECONOMIC
INTEREST OF THE GDR AS OF THE FRG. THE FRG DID NOT
NEED TO PROVIDE ANY SPECIFIC ECONOMIC SWEETENER TO
OBTAIN ECONOMIC COOPERATION AGREEMENTS WITH OTHER
EASTERN EUROPEAN COUNTRIES. IN ADDITION GIVEN THE
MASSIVE FRG TRADE SURPLUS THERE IS NO NEED FOR A
SPECIAL STIMULUS TO EXPORTS. THE GDR BENEFITS AS MUCH
IF NOT MORE FROM INNER-GERMAN TRADE AS DOES THE FRG.
WITH REGARD TO SPECIFIC PROJECTS WITH KRUPP AND
HOECHST, THERE IS NO ECONOMIC REASON TO PROVIDE THE
GDR WITH A SPECIAL INDUCEMENT.

C. ELECTRICITY FOR WEST BERLIN. THE FRG HAS ALREADY
TOLD THE GDR THAT IT IS NOT PRESENTLY INTERESTED IN
ITS OFFER OF 300 MEGAWATTS ANNUALLY. FOR ONE THING
THE QUALITY OF EAST GERMAN ELECTRICITY IS VERY POOR
AND A SPECIAL SWITCHING INSTALLATION WOULD HAVE TO
BE ERECTED AT THE COST OF SOME DM 70-80 MILLION IN
ORDER TO AVOID CONTAMINATION OF WEST BERLIN'S POWER
SUPPLY. FURTHER, IF THE NEGOTIATIONS WITH THE SOVIET
UNION ARE SUCCESSFUL, THE SUPPLY OF POWER TO WEST
BERLIN FROM EASTERN SOURCES WOULD BE AT A LEVEL THE
FRG WOULD NOT LIKE TO EXCEED ON SAFETY GROUNDS.

D. DEVELOPMENT OF RAW MATERIALS IN THE BORDER AREA.
NEITHER THE LIGNITE NOR THE NATURAL GAS DEPOSITS ARE
VERY SIGNIFICANT. THE 5 MILLION TONS OF LIGNITE
INVOLVED FOR THE FRG WOULD ENABLE THE BRAUNSCHWEIG
POWER PLANT TO DELAY ITS CONVERSION TO SOME OTHER FUEL
FOR ONE ADDITIONAL YEAR. THE BULK OF THE NATURAL GAS,
WHICH IS OF POOR QUALITY, LIES ON THE EAST GERMAN SIDE

OF THE BORDER AND THE MAIN EAST GERMAN INTEREST IN THE
NEGOTIATIONS IS TO SEE TO IT THAT THE WEST GERMAN
FIRMS CURRENTLY DRILLING THE AREA DO NOT TAKE MORE
THAN THEIR FAIR SHARE OF THE GAS.

E. NON-COMMERCIAL PAYMENTS. THE EAST GERMANS ARE
ALREADY COMMITTED TO NEGOTIATING IN THIS SECTOR UNDER
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THE TERMS OF THE BASIC TREATY. OF THE TWO SMALL
AGREEMENTS ALREADY REACHED IN THIS AREA THE EAST
GERMANS ARE NOT LIVING UP TO THE ONE WHICH SLIGHTLY
FAVORS THE FRG.

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C O N F I D E N T I A L SECTION 03 OF 03 BONN 19161

F. COMMERCIAL TIES WITH WEST BERLIN. LAST FALL THE GDR PURCHASED 5,000 RAILROAD CARS FROM FRANCE EVEN THOUGH THE WEST GERMAN OFFER WAS BETTER. AT THAT TIME THE FRG EXPRESSED DISAPPOINTMENT THAT THE WEST GERMANS DID NOT WIN THE CONTRACT BUT IT DID NOT MAKE AN ISSUE OF IT. THE PURCHASE OF 1000 ADDITIONAL CARS FROM WEST BERLIN REPRESENTS LITTLE IN THE WAY OF A CONCESSION TO THE FRG. IN THE AREA OF TEXTILES THE FRG HAS HAD NO QUOTA ON IMPORTS FROM THE GDR SINCE THE EAST GERMANS IN THE PAST HAVE ALWAYS IMPORTED SUBSTANTIAL AMOUNTS OF TEXTILES FROM WEST GERMANY. CONFIDENTIAL

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THE VOLUME OF THESE TEXTILE IMPORTS FROM THE GDR HAS FALLEN OFF CONSIDERABLY THIS YEAR HOWEVER AND IN RESPONSE THE FRG NOTIFIED THE GDR THAT IT MIGHT HAVE TO IMPOSE SOME QUANTITATIVE RESTRICTIONS ON ITS TEXTILE IMPORTS. THE GDR MOVE TO INCREASE ITS TEXTILE IMPORTS FROM THE FRG IS ONLY A RETURN TO THE STATUS QUO ANTE.

THERE HAVE BEEN DISCUSSIONS ABOUT THE CONSTRUCTION OF A SLAUGHTER HOUSE IN EAST BERLIN. THE EAST GERMANS WANTED TO MAKE PAYMENT IN MEAT, HOWEVER, WHILE THE FRG INSISTED ON CASH.

5. COMMENT. THE ECONOMICS MINISTRY HAS LONG INSISTED THAT THE SWING PROVIDES ALMOST NO ECONOMIC BENEFITS TO THE FRG. THEY ARGUED THAT IF IT WERE TO BE EXTENDED IT SHOULD BE IN RETURN FOR CONCRETE PROGRESS TOWARDS STRENGTHENING ECONOMIC TIES BETWEEN THE TWO GERMANY'S. OUR ECONOMIC SOURCES ARE NOW GALLED BY THE FACT THAT THE EXTENSION ON THE SWING IS BEING PARTIALLY JUSTIFIED BY WHAT THEY REGARD AS SPURIOUS GDR "CONCESSIONS". TO SOME EXTENT THIS REACTION REFLECTS A SOUR GRAPES ATTITUDE AT BEING ALLOWED ONLY A VERY LIMITED ROLE IN THE NEGOTIATIONS WITH THE GDR. IN ADDITION, IT TENDS TO UNDERESTIMATE BROADER POLITICAL CONSIDERATIONS WHICH DOUBTLESS PLAYED A KEY ROLE ON THE FRG SIDE. NONETHELESS, VIEWED IN A STRICTLY ECONOMIC SENSE, THERE WOULD SEEM TO BE SOME MERIT IN THE POSITIONS OUR ECONOMICS MINISTRY CONTACTS HAVE

TAKEN. HILLENBRAND

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